

OPPORTUNITY ZONE ROUNDTABLE

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THE FEDERAL OPPORTUNITY ZONE [OZ] PROGRAM: WHAT IS IT?

The OZ program was created by the *Tax Cuts and Jobs Act*, *P.L. 115-97* in December 2017 to revitalize economically distressed communities using private investment rather than taxpayer dollars.

WHAT ARE THE BENEFITS OF AN OPPORTUNITY ZONE TO DESIGNATED COMMUNITIES?

OZs can provide investment capital to municipalities to spur economic development by attracting new investors to distressed areas of urban and rural communities. In some cases, this private investment can leverage other public investment in infrastructure and other tax credits, grants and loans.

THE REASONS FOR OPPORTUNITY ZONES

To stimulate private participation in the OZ program, taxpayers who invest in qualified OZs are eligible to benefit from capital gains tax incentives exclusively through this program. The program has two primary components:

- Opportunity Zones (**OZ**)
- Qualified Opportunity Fund (**QOF**)

WHERE ARE OZs LOCATED IN WESTCHESTER COUNTY?

514 OZs were designated by Governor Cuomo on April 20, 2018 and approved by the U.S. Treasury on May 18, 2018. OZs are eligible low-income census tracts in New York State that allow for Federal and NYS income tax benefits.

This program is being administered by the US Department of Housing and Urban Development. 12 OZs in 8 municipalities in Westchester:

Cortlandt (CT 9840);

Mount Vernon (CT 31);

Peekskill (CT 143);

White Plains (CT 93);

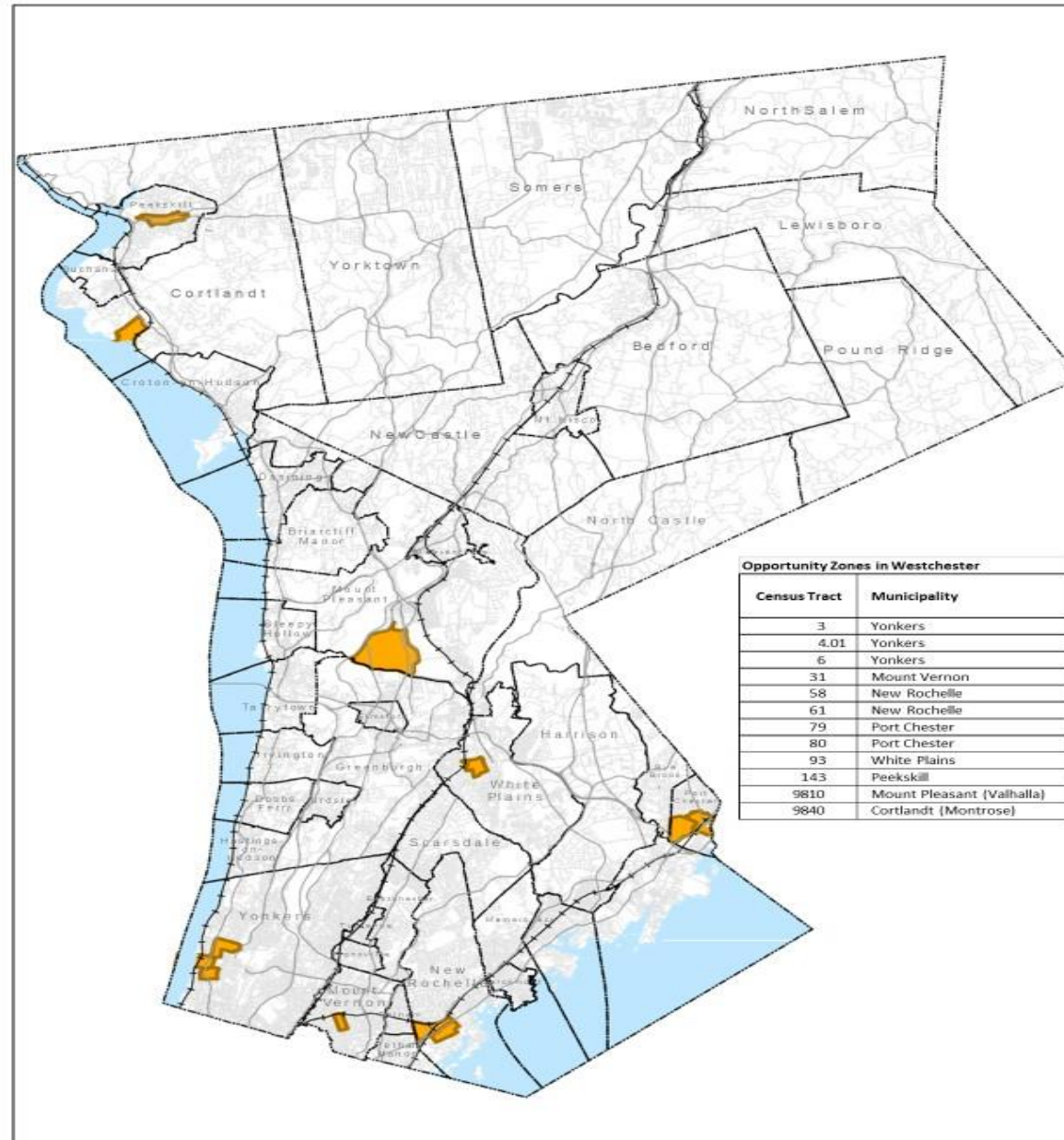
Mount Pleasant/Valhalla (CT 9810);

New Rochelle (CT 61, 58);

Port Chester (CT 79, 80);

Yonkers (CT 4.01,3,6)

Designated Qualified Opportunity Zones in Westchester



0 2.5 5 10 Miles

Prepared by Westchester County Department of Planning. Source: List of designated Qualified Opportunity Zones, updated December 14, 2018, Community Development Financial Institutions Fund, US Department of Treasury, based on 2011-2015 Census ACS data.

WHAT IS A QUALIFIED OPPORTUNITY FUND AND HOW DOES IT WORK?

A Qualified Opportunity Fund(QOF) is an investment vehicle that is organized as a corporation or a partnership for the purpose of investing in a Qualified Opportunity Zone Property(QOZP) in a designated OZ.

A Qualified Opportunity Fund may invest its funds in:

- new construction real estate;
- substantial improvements to existing buildings within an OZ;
- expansion of a business already in an OZ;
- opening new business in an OZ.

WHERE CAN A MUNICIPALITY FIND A LIST OF QOFs?

A list of Qualified Opportunity Zone Funds can be found on the National Council of State Housing Agencies website. This [Opportunity Zone Fund Directory](#) is regularly updated and is current as of June 6, 2019.

www.ncsha.org

OPPORTUNITY ZONE INVESTMENT PARAMETERS

Real Estate Investment

Qualified OZ Business Investment

Ineligible Businesses

REAL ESTATE INVESTMENT: The property must be “substantially improved” which means the improvements to existing buildings or the construction of new buildings must equal the cost of the acquisition less the cost of land over a 30 month period.

QUALIFIED OZ BUSINESS (QOZB) INVESTMENT:

- 70% of the QOZBs tangible assets need to be used in the designated OZ.
- 50% of gross income from QOZB must be derived from the active conduct of business in the OZ.
- QOZB must be an operating business for substantially all of the QOFs holding period.

INELIGIBLE BUSINESSES: country clubs, liquor stores, golf courses, massage parlors, race tracks and gambling venues.

WHAT IS THE BENEFIT OF AN OPPORTUNITY ZONE TO INVESTORS?

OZs can provide significant tax savings to private investors selling appreciated property, including both real property and other asset classes, as well as provide investment capital to spur economic development in distressed areas.

- OZs spur economic development by allowing investors to defer tax on gains invested in a QOF
- Investments held for longer than 5 years have a 10% exclusion of the deferred gains
- Investments held for more than 7 years have a 15% exclusion
- QOF investments held for over 10 years increase their basis to equal its fair market value on the date that the QOF investment is sold

WHAT IS THE ROLE OF THE MUNICIPALITY IN OZs?

The municipality's role in the OZ program is to be proactive in bridging the gap between community needs, the property owner and the Opportunity Fund and to develop an OZ strategy. While every strategy should be tailored to the individual locality, there are three important high-level initiatives that are important for OZ municipalities to develop:

- **Aggressive Marketing:** pumping up its economic development tools such as website, an OZ investment prospectus, other digital and print marketing documents.
- **Align Resources:** infrastructure improvements around OZ development sites, grants, loans and other financial tools.
- **Minimize Barriers:** align stakeholders, streamline development reviews and permitting process.

WHAT IS THE ROLE OF HUD?

HUD has a history of trying to attract investment to neighborhoods.

This is not a traditional federal “program”.

HUD collected comments (until June 17, 2019) to create policies for OZs:

- *What types of technical assistance should be offered through HUD?*
- *What role can HUD play in helping to ensure that existing residents, businesses, and community organizations in OZs benefit from the influx of investment and remain the focus of their community’s growth moving forward?*
- *How should HUD participate in Federal interagency efforts to help ensure that private and public stakeholders can successfully develop strategies for economic growth and revitalization?*

WESTCHESTER COUNTY TECHNICAL ASSISTANCE TO OPPORTUNITY ZONE COMMUNITIES

Westchester County is offering **FREE** technical assistance to eligible communities in the County to help maximize the benefits of the OZ and associated programs in your community.

The services of FERRANDINO & ASSOCIATES INC. PLANNING AND DEVELOPMENT CONSULTANTS (F&A) are being made available to all OZ communities to provide the firm's expertise to assist your community.

HOW FERRANDINO & ASSOCIATES INC. CAN ASSIST:

- Help prepare a plan to redevelop the OZ;
- Interface with Federal and State agencies;
- Introduce and negotiate with private investors and developers;
- Provide advice on the OZ program as well as New Market Tax Credits, Low Income Housing Tax Credits, Historic Preservation Tax Credits and other Federal and State economic development incentives available to the community, investors and developers.

Q & A

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